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ARMS SHIPMENT TO COMMUNIST CHINA

1. The Swedish-registered ship KOALA, 4504 GRT, passed Kiel on 28 October bound from Gdynia to Whampoa. At Kiel she was reported carrying small arms and possibly ammunition. Despite the fact that the Swedish authorities have assured the State Department that the KOALA has no arms and ammunition aboard, reports persist to this effect. There have been reports that the vessel would also carry tanks though no tanks were observed when she passed Kiel. However, on board were crates of unspecified dimension which were declared as "general." These crates could contain tanks or other strategic materials.
2. The KOALA was formerly the Finnish mer ship ARABELLA and under this name she was owned by the Laivanvarustusyhtiö Re-Be Rederbolaget which is believed to be beneficially owned by Gunnar Damstrom of Helsinki. In addition to the Arabella the Re-Be company also owns a tanker, the ARUBA, 10,382 GRT, and two other cargo vessels; ANETA and ARIANA. Recently the company has purchased another tanker, the SABRINA, 7831 GRT, which is to be renamed ARABELLA.
3. In September the ARABELLA (4504 GRT) was sold to a Mr. F. de Joune for registry under the Swedish flag. Transfer of the vessel was arranged by R. Myrsten, brokers, of Slite, Gotland, who paid the owners the sum of L 75,000, an unusually high price for a 29 year old ship. The vessel was registered under the firm of Rederi A/B Ankaret, Slite, and renamed KOALA. The Naval Attache at Helsinki reported the sale to be so quick as almost to be unique among Finnish shipping deals. Only three days were required from the initial inquiry to the consummation of the sale at Kiel following a very cursory examination of the ship by the buyers.
4. Robert Myrsten who served as the intermediary in this transaction is believed to be the Beneficial owner of the Swedish registered OTHEN, 3708, GRT, and the DALHEM, 2922 GRT. Neither of these ships is suspected of trading with the Soviet Bloc.
5. The Re-Be ships have been active in trade with the Soviet Bloc both in Europe and the Far East. The ARABELLA, 4504 GRT, made one trip to Communist China earlier this year when she was still under the ownership of the Re-Be company. As the KOALA, this vessel is currently on another trip to Communist China. In view of the fact that in July it was reported that some effort had been made to negotiate sale of the

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vessel to Communist China through the firm of Weltfracht, Hamburg, it is entirely possible that the sale of the ARABELLA to a Swedish firm is actually a surreptitious sale to the Soviet Bloc. It is believed that the Chinese Communists may have purchased the vessel through de Jeunge and are using the vessel to transport strategic materials from Europe to China, thus circumventing Western control measures.

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